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FOR: Newark Economic Development Corporation

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NEDC'S FULL REPORT PROJECTS
SPORTS COLISEUM IN NEWARK

A major new sports coliseum located in Newark and ranking with the nation's largest and most successful sports facilities is projected by an outside consultant in a 151-page, federally-financed analysis released today by the Newark Economic Development Corporation (NEDC).

The NEDC's analysis says that on the basis of the size and affluence of the North Jersey market area, the availability of good transportation and many other factors, a sports coliseum with a capacity of 15,250 permanent seats can be successfully operated at a downtown Newark site.

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The NEDC report was prepared by Hammer, Siler, George Associates, an Atlanta, Georgia, economic consultant firm which has recommended major sports arenas in Houston, Atlanta, and Cleveland which are already in operation or being built. The report gives a comprehensive and detailed look at the proposal for a Newark Coliseum documenting and expanding on a preliminary recommendation released last April. At that time, it was announced that "the critical ingredients of market and community support exist for a major downtown Newark sports and entertainment complex."

The NEDC initiated the study last year by securing a grant from the Economic Development Administration, Department of Commerce. The Atlanta consultant firm was chosen from among six bidders. The NEDC, composed of leading representatives of the Newark business community and its city government, was formed several years ago to encourage development and growth in the city.

In addition to documenting its recommendation for a sports coliseum, the new report includes a proposal to finance the project. It analyzes the current sports business, the potential market for a major coliseum in Newark, and the impact such a facility would have on the city. It also analyzes the factors that have made for the success of thirteen existing major sports arenas nationwide.

The proposed coliseum would cover 9.3 acres of urban renewal land situated between Newark's financial and business district and the Penn-Central railroad station. Its proximity to both the Gateway commercial complex and the mass transit facilities at Penn Station is one of the distinct advantages cited for the downtown Newark site.

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"The location of a major sports arena in Newark would, of course, be a tremendous asset to the city in terms of economics and image," said Newark Mayor Kenneth A. Gibson. "In more immediate terms, the findings presented by the NEDC represent a new factual basis for continuing confidence in Newark's importance to the people and the economy of New Jersey."

Edward J. Lenihan, President of the NEDC, said, "The Newark Economic Development Corporation takes great pride in issuing this report, whose recommendations could lead to great opportunities for the people of the city, the county, and the state. We urge a close examination of the coliseum concept in the days ahead by local government officials, financial community leaders, and all citizens of our north Jersey metropolitan region."

Said Donald H. Bagger, Executive Director of the NEDC, "We are happy to be able to serve Newark through issuing this report. It represents a solid achievement by all those who worked on it, including Project Director Wayne Braffman of our management staff and the arena consultants. It also gives us all further evidence of a positive turnaround in the city's economic fortunes."

The coliseum would benefit the city primarily in terms of construction jobs, tax revenues and "commercial spin-off opportunities," according to the report. It sees employment opportunities for 300 to 400 workers during the construction period, and a construction payroll of some \$14 million. It sees a potential for some \$1 million annually in tax ratables, including parking and payroll taxes.

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The consultants see two types of spin-off opportunities: the service and retail activities necessary to operate the arena, and more significantly, the commercial redevelopment of Newark's downtown area. The report says the coliseum would be a major "catalyst" toward new development, citing the experiences of Baltimore, Maryland, and Springfield, Massachusetts, where the introduction of major arenas revitalized the cities' economies after they had "hit the bottom."

"The cumulative effect of the catalytic action can be significant," says the report. "However, the project must have the full support of the city government and business community and be imaginatively carried out. Also, there must be a strong and organized follow-up campaign to capitalize on the enthusiasm and momentum created by the coliseum."

City Council President Earl Harris declared: "The NEDC report presents solid evidence that the city has the right geographic, economic and human assets for the development of a major sports arena. We in city government must recognize that such a facility would be a tremendous asset to our economy and to our people, and work toward its fulfillment."

A major assumption in the development of a Newark Coliseum is the attraction of new franchises in both the American Basketball Association (ABA) and the World Hockey Association (WHA) for all home regular season and play-off games. The consultants' analysis of the sports business generally, and of conditions in the leagues, indicates that such new franchises are a real possibility.

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On the crucial question of financing the coliseum, the report examines a number of alternatives. It concludes, with the aid of advice from the bond counsel firm of Kraft and Hughes, that the Newark Redevelopment and Housing Authority should serve as the financing vehicle for the project. The consultants cite the Authority's experience in packaging redevelopment projects in the city, and point out that enabling legislation for this role has been passed by the State Legislature. Under this plan, the Authority would issue revenue bonds in support of the facility. Among other financing mechanisms analyzed are straight private development, public agency financing, non-profit corporation lease purchase, and several other bond financing methods.

Said Michael Adubato, Assemblyman from Essex County, who sponsored legislation regarding the financing procedure: "While the immediate focus of legislation enables the Newark Redevelopment and Housing Authority to become the financing vehicle for a major sports arena, it obviously presents an opportunity to many areas and communities in the state for new development. I welcome the NEDC's report as setting a goal and a challenge to the people of New Jersey."

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"Discussions with city and Redevelopment and Housing Authority officials indicate no desire to manage or operate the facility," says the report. "It can be expected, therefore, that a private operating company would be provided the initial opportunity to manage the facility. It is our recommendation that the Authority contract with a skilled and experienced private firm to operate the proposed facility." A detailed comparison of private-vs.-public operation of existing arenas indicates the "superior track record" of privately-operated arenas.

"The steps outlined in the report concerning the Newark Redevelopment and Housing Authority's role in the financing of a sports coliseum would establish an important new mechanism for the revitalization of the city," said Robert Notte, executive director of the Newark Redevelopment and Housing Authority. "It means that the Authority can be a prime mover in the redevelopment picture by operating as a total redevelopment agency."

Theron L. Marsh, Chairman, Greater Newark Chamber of Commerce, declared: "A major sports coliseum such as recommended in the NEDC report would be a welcome asset to the city, and might be a positive force in rejuvenating the city's economy. Equally as important, it would serve to further restore confidence and pride in the city among all who live and work here."

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The report compares the Newark location with the New Jersey Sports Complex site in the Hackensack Meadowlands and finds that a coliseum "could probably function with equal effectiveness at either location." But the Newark site is favored because the coliseum in the city "would generate a more significant economic impact in the region, and the city can be committed to making the project a success..." In a comparison of suburban versus downtown arenas nationwide, the report indicates that locations are not in themselves a factor influencing success or failure; arenas are operating successfully in both suburban and downtown areas.

In a discussion of audience market, the report says the area upon which the Newark Coliseum can draw comprises 5,135,000 people, with another half-million expected during the next decade. The "market area" is defined as a nine-county region including Essex, Hudson, Bergen, Passaic, Morris, Union and parts of Somerset and Middlesex counties. Deliberately omitted from the market area definition -- even though some of their residents would undoubtedly be drawn to events at the Newark Coliseum -- were New York City to the east and Mercer and Ocean Counties to the west and south. These areas were ruled out of the market area because of the competitive influences of Madison Square Garden and Philadelphia's Spectrum.

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Major economic and population forces are cited in the north Jersey market area. "It is important to understand the vital regional and even national implications of the northern New Jersey economy," says the report. "Often, this part of the state as a whole tends to be overlooked due to its proximity to New York." But, the report says, the region has a population of over five million, generates total resident income of almost \$32 billion, contains leading national companies in the insurance, pharmaceutical, chemical, apparel and furnishing industries, and has among the most prosperous sea and air facilities anywhere.

The market area's average household income is \$17,159, according to the report, ranking the Newark Coliseum area sixth in a list of thirteen others. This would put the Newark Coliseum area behind only those of Maryland's Capital Centre, Madison Square Garden, the Minneapolis Met, St. Paul's Civic Center, and Philadelphia's Spectrum in terms of per-household income. It puts the Newark facility region ahead of those served by the Nassau Coliseum, Omni in Atlanta, the Forum and Los Angeles Sports Arena in Los Angeles, Crosby Kemper Memorial Arena in Kansas City, and Houston Coliseum.

In terms of market area population, the Newark Coliseum would rank seventh out of fourteen, still ahead of such major centers as Minneapolis and St. Paul, Houston, Atlanta, Kansas City, Indianapolis, and Providence, Rhode Island.

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In an analysis of available sports-related facilities in the coliseum market area, the report finds that Jadwin Gymnasium at Princeton University, with its basketball capacity of 7,500, is the only sports arena/coliseum approaching a major facility. But it is not equipped to handle professional sports programs and the audiences they generate. Symphony Hall in Newark was found to be the major cultural/entertainment facility in the market area, but the proposed coliseum would not compete with it.

The report estimates that the coliseum would hold 228 performances the first year of its operation, with a paid attendance of 1,923,000 and an average of about 8,440 persons per performance. This would generate \$10,952,010 in gross gate receipts, the report says, based on average ticket prices. In ten years, the number is estimated at 308 with an average per-performance crowd of 10,330. The report's estimates of audiences and numbers of performances consider not only market potentials, but the competition from Madison Square Garden and the Nassau Coliseum.

The Newark Coliseum's permanent seating capacity of 15,250 would make it sixth largest of the thirteen major arenas -- bigger than such active facilities as Atlanta's Omni, the Minneapolis Met and Maryland's Capital Centre. Additional seating would be available for concerts and other events.

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The performance area should contain a minimum of 20,000 square feet with artificial ice capabilities, says the report. A special feature would be 25 "skyboxes," each suite containing 10 viewing seats and 300 square feet of space. Another amenity would be a coliseum club. On-site parking would need to consist of a minimum 2,500-space multi-story parking garage.

The coliseum's uses would be diverse. In addition to professional hockey and basketball, it is expected to accommodate other sports such as tennis, track and field, boxing, indoor soccer and box lacrosse. Provisions are made also for other shows and variety programs, concerts, ice shows, circuses and other events. Some school basketball programs are forecast and it is noted that surrounding colleges including Seton Hall University and Essex County College, have strong basketball programs.

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